



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Fraud Investigation Report**  
**Bellevue School District No. 405**

**For the investigation period October 12, 2018 through August 31, 2019**

**Published March 11, 2021**

**Report No. 1027686**





## Office of the Washington State Auditor Pat McCarthy

March 11, 2021

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

### **Report on Fraud Investigation**

Attached is the official report on a misappropriation at Bellevue School District No. 405. On October 16, 2019, the District notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation of a former Early Learning Program Site Supervisor's unallowable activities at the District from October 12, 2018 through August 31, 2019. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (564) 999-0800. Otherwise, please contact Special Investigation Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy

State Auditor

Olympia, WA

cc: Melissa deVita, Deputy Superintendent of Finance & Operations

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## FRAUD INVESTIGATION REPORT

### Investigation Summary

On October 16, 2019, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185).

In August 2019, the District discovered a former Site Supervisor from the Early Learning Program (ELP) received \$30,947 in payroll disbursements for 10 months after she was no longer employed. Her last day was October 11, 2018; the improper payroll disbursements began October 12, 2018 and ended August 21, 2019. The former employee received the payments via direct deposit and did not report the error to the District.

The District did not file a report with any law enforcement agencies. We will refer this case to the King County Prosecuting Attorney's Office.

### Background and Investigation Results

Bellevue School District, located in King County, operates on a General Fund budget of about \$352 million and employs about 3,000 people who serve more than 20,000 K-12 students. Additionally, the District offers both preschool and extended child care services, managed by the Early Learning Program (ELP), in all 18 elementary school buildings. An ELP Site Supervisor's responsibilities include managing the daily operations of an Early/Extended Learning center and setting appropriate program and staff expectations.

In August 2019, the District's Human Resources Department was reviewing Early Learning Program staffing spreadsheets when it discovered the former ELP Site Supervisor continued to receive a paycheck for months after she no longer worked there. The District investigated payroll records and other potential losses during her time of employment and discovered no additional concerns. The District also reviewed the employment status for all other ELP staff and identified no concerns. The District determined the former employee inappropriately received a net amount of \$30,947 between October 12, 2018 and August 31, 2019 (after she left employment). We reviewed the District's investigation and agree with its conclusions.

On December 17, 2019, the District sent a letter to the former employee informing her of the payroll error and asking for repayment. On January 27, 2020, the District interviewed the former employee by phone, who verbally agreed to make repayment. On April 22, 2020, the District established a re-payment schedule requiring the former employee to pay \$500 per month from May 2020 to July 2020, then \$700 per month from August 2020 to October 2020. Payment was to have continued at \$1,000 per month from November 2020 until the balance is paid in full. The former employee did not sign this agreement and has repaid only \$1,350 as of January 25, 2021.

## Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

- The Early Learning Program did not notify the Human Resources department when the former employee left the District. As a result, the former employee's pay assignment was not promptly removed from the payroll system, which would have stopped the monthly payroll direct deposit disbursements.
- Regular review of payroll reports designed to catch overpayment anomalies were either not performed or were ineffective at the Early Learning Program. An effective review would have detected that the former employee was still being paid when she no longer worked at the District.

## Recommendations

We recommend the District strengthen internal controls to ensure:

- It provides adequate communication and records to Human Resources once an employee leaves employment at the District
- Timely removal of pay assignments in the system to ensure former employees do not continue to be paid for time not actually worked
- The Early Learning Program performs a detailed review of payroll reports to ensure only valid employees are paid

We also recommend the District seek recovery of the remaining misappropriated \$29,597 in payroll disbursements and related investigation costs of \$3,063 from the former ELP Site Supervisor and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the District must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or [Matthew.Kernutt@atg.wa.gov](mailto:Matthew.Kernutt@atg.wa.gov). The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (360) 489-4591 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## District's Response

*The Bellevue School District appreciates the efforts of the State Auditor's Office in investigating this matter. The District takes misappropriations of funds seriously and concurs with the results of the investigation. The District will seek to recover the misappropriated funds and the related investigation costs from the former employee and will file a claim with the District's insurance provider to aid in recovering these funds. Additionally, the District will cooperate with any further action taken by the King County Prosecuting Attorney's Office.*

*The District took the following corrective measures to address this matter that occurred in the Early Learning Program (ELP):*

- An internal review of other potential losses related to the former employee was performed, with no additional losses noted.*
- A list of pay assignments were reviewed by the ELP supervisors to ensure no other inactive employees were included. From that list, only one employee was identified as having resigned which Human Resources confirmed the resignation was processed in a timely manner.*
- Human Resources met with the ELP supervisors to go over the resignation process, and ensure they are aware of the prompt resignation notification to Human Resources that must occur.*

*Additionally, Human Resources will continue to train all new supervisors overseeing staff on the appropriate resignation process and inform them of the responsibilities to maintain awareness of staff assigned to their area or department. Human Resources will also send quarterly reports of staff pay assignments to supervisors to ensure only current and active staff are included on the reports.*

*The Human Resources Department seeks to improve guidance for off-boarding procedures, starting with the notification from an employee's resignation notice to the supervisor. This will include a resignation checklist for the employee and supervisor to complete; instructions on where to access the forms, who needs to be notified, and timelines to complete each step. These forms will be readily available for supervisors to access and reminders of the off-boarding procedures will be sent throughout the year.*

*The District is in the process of implementing a new Enterprise Resource Planning (ERP) system and anticipates the Human Resources module to be implemented in January 2022. While the District recognizes the new ERP system will not address all concerns, it will help to standardize and streamline the supervision of staff assignments. This will provide a management tool that supervisors can use to readily display current staff pay assignments which will improve visibility and accountability of their assigned staff. There will also be a standardized electronic Personnel Action Request form that will be used for all personnel actions, including resignations where the supervisor can directly input the resignation request that will go through an electronic workflow approval process to Human Resources.*

## **Auditor's Remarks**

We thank District officials and personnel for their assistance and cooperation during the investigation. The steps the District has taken to prevent similar issues from reoccurring demonstrate the District's commitment to being good custodians of public funds.

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